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CENTRAL INTELLIGENCE AGENCY
 Office of the Chief, Economic Research
 Office of Research and Reports

14 December 1956

(Date)

MEMORANDUM FOR: Chief, Economic Research

ATTENTION: Chief, Planning and Review Staff

SUBJECT: Transmission of Draft Report, Ch/E Project No. 10.1665

TITLE: Revision of OCI Handbook on North Vietnam, Part III, Economic

25X1A

Author: [REDACTED]

ENCLOSURE: Subject draft report (Original and two copies)

1. Enclosure is forwarded herewith for review and publication. Recommended category: DM RR ER RA Other.
2. Statement of coordination attached, with initials of individuals and their units. NA
3. Arrangements for maps and/or graphics through St/ER with Cartographic Division. NA
4. Recommended Dissemination: Standard Requestor NORCOW
 EIC Subcommittees Other, foreign, etc. (attach list).
5. Has information on US military end products or manpower been used? Explain. No
6. Has direct use been made of the intelligence or information of another agency. Yes
7. Have all sources been considered in the preparation of this report? Yes
8. Man-hours utilized by this division in producing this report: 4
 Branches of other CRR Divisions contribution to this report, and (if available) man-hours utilized by each: D/S--11.50 D/M--5
9. Estimate Cards: Have been submitted to Central Economic Estimates File.
 Are attached. NA
10. The analyst responsible for consultation is: [REDACTED]

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(Name)

A/F

(Branch)

2603

(Extension)

11. Gaps in Intelligence procedures of the Analysts' Manual Notice (check one)
 - a. Intelligence information gaps disclosed in this project are covered specifically in existing collection requirements.
 - b. Those intelligence information gaps disclosed in this study which were not previously filed as requirements have been transmitted to St/ER in the form of a requirements memorandum, a copy of which is attached.
 - c. Notice is inapplicable to this project.
12. Comments:

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* The classification of this transmittal sheet will be changed to conform to the classification of the draft report which it covers.

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CENTRAL INTELLIGENCE AGENCY
Office of the Chief, Economic Research
Office of Research and Reports

Project Action Memorandum

Project No. 10.1665
Date: 15 Nov 56

TITLE: North Vietnam, OCI Handbook, Revision

REQUESTER: CCI

STATEMENT OF THE PROBLEM AND TERMS OF REFERENCE:

Problem: To review and bring up to date pertinent portions of the OCI Handbook on North Vietnam.

Terms of Reference: Revised sections should be approximately same length as the current version.

RESPONSIBILITY:

		<u>Man-hours</u>	<u>Due Dates</u>	<u>Concurrence (Initials)</u>
<u>Action Division:</u>	D/A			
<u>Branch:</u>	A/F	12	12 Dec 56	<u>R/K</u>
<u>Contributing Divisions:</u>	D/I	12	5 Dec 56	<u>SPS</u>
	D/M	12	5 Dec 56	<u>MM</u>
	D/S	12	5 Dec 56	<u>JH</u>
<u>Staffs:</u>	St/PR			<u>Pmt</u>
	25X1A			<u>H/E fer</u>
	CSS			<u>HT</u>
<u>Principal Analysts:</u>	[REDACTED]	x2603		
<u>Project Monitor:</u>	[REDACTED]	x4585		

This project will not delay completion of currently scheduled projects.
The classification of this project will be no higher than SECRET.

APPROVED: E. Bo Ch/E

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Project No. 10.1665

Review of COI Handbook on North Vietnam17. ~~INTROD~~1. Currency

1. Basic Monetary Unit: dong.
2. Exchange Rate: 3,248 dong = US \$1. This rate, set in November 1955, greatly overvalues the dong.
3. Banking System: The Viet Ninh State Bank, established in September 1951, issues currency, provides all customary banking services, and directs the activities of the Central Import-Export Agency the chief agent of the government engaged in the acquisition of foreign exchange. The bank serves as the principal medium for economic aid to the people.

C. Economic Trends

1. Basic Economic Factors: Approximately 90% of the population derives its livelihood from agriculture. Almost exclusively a rice colony, the double-crop year still leaves an annual food deficit of 200,000 tons of rice. The food deficit was normally compensated by imports from South Vietnam; political and military developments of the past two years have upset the prior food distribution pattern while four successive poor harvests in 1954 and 1955 created severe famine.

Bloc deliveries of more than 150,000 tons of rice in the last quarter of 1955 and first quarter of 1956 have been reported but the 1956 shortage is estimated to be at least 400,000 tons. Rehabilitation of agriculture is the major economic problem facing the regime at present. Land reform and organization of semi-socialist mutual aid teams have been the principal measures applied by the government, but these have been ineffective in improving production. More fertilizer, better seed varieties, flood control, irrigation, land reclamation and crop diversification are needed to attain continued increases of production.

North Vietnam's mineral wealth has not been exploited fully. An important coal mining center and cement mill constitute the largest industrial assets in the economy and plans are underway for the development of the nonferrous metal and phosphate deposits.

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B. ECONOMY

2. Currency Stability. The Viet Minh currently suffers from severe inflation. Efforts of the State Bank to remove excess currency from circulation have not prevented a continued depreciation of the dong.

3. Centralized Economy. Exchange transactions are handled by the State Bank which acts through the State Bank, which in turn finances all economic activity in the economic development program. The government has been unable to implement its planned agrarian reform movement, so effectively that taxation is the chief source of revenue. Rice rationing is still in effect, but no government food distribution system is lacking.

D. Annual Budgets. Viet Minh statements on revenue cannot be accepted at face value since they do not admit that revenue exceeded expenditures as early as 1953. The government has been known to have published its budgets.

E. Sino-Soviet Block Aid. Sino-Soviet assistance was necessary to rehabilitate the economy after the severe disruptions of 1954. Under the terms of the December 1954 and 1955 agreements, Communist China undertook a major role in the reconstruction of transport communications and industry. A joint communiqué in Peking on 7 July 1959 announced that China would grant Laos 1 billion 1325,530,000 for economic rehabilitation over a period of five years.

Soviet economic assistance was initiated under an aid agreement concluded in Moscow on 18 July 1955. This \$100,000,000 program provided for the rehabilitation and construction of 25 industrial and municipal enterprises, extensive Soviet technical assistance, shipments of rice, medical aid, and probably some military equipment.

Other economic assistance came in the form of a loan for economic and technical aid concluded in Moscow on 19 January 1956 between the People's Republic of China and a technical and economic assistance agreement signed 17 April 1956 with Rumania.

F. Natural Resources.

1. Agriculture. Rice is the principal crop and staple of diet. Normal production is approximately 200,000 metric tons. Other food crops are corn, millet, sorghum, and manioc.

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2. Mineral: North Vietnam has significant deposits of anthracite coal, iron ore, phosphates and tungsten, and chrome. These resources have been virtually unexploited with the exception of coal. Coal production reached a peak annual yield of about 2,600,000 metric tons, but production in 1956 will probably not exceed half of this amount. Tin production may reach 1,000 to 1,500 metric tons per year by 1957.

3. Industry

1. Capital Goods: A cement plant at Haiphong is the largest in Southeast Asia. Annual production has in the past averaged 300,000 metric tons. Current Viet Minh claims of the production rate of 1,000 metric tons day are considered to be exaggerated.

2. Consumer Goods: The cotton mill at Nha Dinh provided about 9% of North Vietnam's textile requirements in normal times. The plant has never operated at full capacity and is dependent upon foreign sources of raw cotton. There are 2 small fertilizer plants and many establishments engaged in light manufacturing.

3. Militaria: The Viet Minh maintain small workshops capable of producing mortars, breeches, small arms, and ammunition.

II. Foreign Trade

North Vietnam traditionally conducted about half its foreign trade with France, and during the pre-World War II period, consistently ran a trade deficit depending on a few basic exports to support a wider range of imports. The Viet Minh authorities also consistently drew more from southern Indochina than it has reported. Corn, coal, cement and metals constituted 52% of all exports in the 1930's. Imports during this same period consisted chiefly of textiles, manufactured goods, paper products and chemicals. Exports declined substantially in the postwar period as basic production came to a virtual standstill.

1. Principal Exports: Viet Minh exports have been insignificant since the Geneva Accords. In 1955 an agreement was made to supply France with 1,600,000 metric tons of coal over a 15 year period as reparations for seizure of Van Goy mines. Limited agreements have also been made with others, including Japan, Germany, China, and Hong Kong for exportation of North Vietnamese coal in exchange for manufactured goods and some exports of tea, fruit, grain, timber, and handicrafts have been made to these countries.

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2. Principal Imports: The announced Bloc economic assistance program partially indicated current domestic needs. Quantities of machinery for irrigation works, industrial facilities and port installations are thought to be the chief technical imports at present. The delivery of at least 100,000 tons of rice and millions of meters of cotton cloth represents an important segment of total current imports.

3. Trade Agreements: The Viet Minh have concluded the following trade agreements for 1956:

1. A trade agreement concluded on 5 May 1956 with the USSR,
2. A trade and payments agreement with Communist China signed on 21 July 1956, providing for a 150 percent increase over 1955;
3. A 1956 trade agreement with Hungary concluded on 17 September 1956;
4. The Japan-Vietnam Trade Association concluded a private trade agreement for \$1.5 million each way for the period 1 June 1956 to 31 May 1957;
5. The trade agreement with France which was concluded in October 1955 was extended for one year till 14 October 1957. This agreement provides for the completion of the previous agreement plus the exchange of goods valued at \$1 million francs each way;
6. A 1956 trade agreement was concluded with Czechoslovakia on 1 January 1956. A supplementary protocol to this agreement was signed 23 March 1956; no details were released except that trade was to be increased substantially;
7. On 27 February 1956 a trade agreement was signed with Poland;
8. On 10 January 1956 a trade agreement was signed with Bulgaria.

4. Telecommunications

1. Domestic: North Vietnam relies heavily on point-to-point radio communications to connect major cities. It has continued to improve the system during 1955 and 1956. In the past year the USSR has provided equipment and technicians to North Vietnam, supplementing the continued aid from Communist China. Included in the aid from the USSR was the donation of 10 wire diffusing broadcasting networks which were installed throughout the country by Soviet technicians in 1956.

The major effort of the North Vietnam telecommunications program centers on continued rehabilitation and further development of a wireline system. A total of 3,600 kilometers of telephone and telegraph wirelines have been

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selected or restored during 1955 and 1956. Automatic telephone equipment manufactured in East Germany will be shipped to North Vietnam in the near future and has been approached to supply needed telephone switchboards.

The help given by the USSR along with planned imports from East Germany and Poland are indications that North Vietnam communications requirements now exceed the amount of aid that can be supplied by Communist China alone.

2. International: Communist China is no longer the main communication link between North Vietnam and other countries. A direct radio-telegraph link between Hanoi and Moscow, thereby permitting the DRV to bypass Peking's communications with other countries of the Soviet Bloc. Direct radio-telegraph service to India was started on 2 September 1956, and to France on 2 October 1956.

3. Transportation: The Viet Minh, with Sino-Soviet assistance, have made a special effort to rehabilitate the road, rail and water transport network in North Vietnam since the departure of French Union forces in the fall of 1954.

1. Railroads: The Viet Minh inherited from the French a badly damaged 5-foot gauge rail system, consisting of four lines radiating from the capital city, Hanoi. Only the Hanoi-Haiphong line was operable. Of the remaining three lines, the most important logically and strategically was the line north from Hanoi to Nam Quan on the Chinese border, which was rebuilt to the original gauge and restored to service between December 1954 and March 1955. The most substantial progress in rail restoration during 1955 and 1956 was on the Hanoi-Lachay line which was reopened in July 1956. Work continues at present on the Hanoi-Pinh-Thanh Ha line. Completion of the Hanoi-Nam Quan and Hanoi-Lachay lines coupled with the projected restoration of the Paochau-Ho-kou line in China's Yunnan Province will permit Yenan's strategic materials to be exported through the ocean port of Haiphong, and will link Southwest China for the first time -- via North Vietnam -- with the main Chinese rail system.

2. Roads: The Viet Minh claimed the restoration of the 7,600 mile war road system by the end of 1955; plans for 1956 involved continuing improvement of 2,800 miles of this net. The two main trunk routes are given considerable importance: Haiphong-Son La-Laochau in the northeast; and Hanoi-Nam Quan-Hanoi to the 17th parallel south along the coast. These two roads, along with bridge construction continue, make possible the rapid deployment of military

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... and supplies to critical border areas. In addition, motor transport ...
... used in its traditional role as a means of local distribution, rather
... for long-haul carriage which was required during and immediately following
the war when railroads were inoperable.

3. Merchant Marine: Viet Minh shipping is confined to coastal junks
and small river craft. An intensive Sino-Soviet-directed rehabilitation of the
port of Haiphong was necessary for the handling of Bloc ships carrying emergency
supplies. Efforts continue to improve Haiphong's port facilities, where only
eleven pre-World War II docks are commercially usable. Other ports are
Haiphong, Hon Gai and Ben Thuy.

4. Inland Waterways: The Red River drainage basin is the chief internal
water transport system in North Vietnam. It is unreliable for inland navigation
because of the extreme seasonal fluctuation of the water level. The usually
great difference in high and low seasonal water levels precludes year-round
use of any of the larger rivers.

5. Civil Airliners: In December 1955 the Viet Minh established a Civil
Aviation Administration and announced the activation of a new civil air service
on 1 January 1956. Five new air transports supplied by the Chinese under
a contract concluded with the Viet Minh on 30 December 1955 have apparently
been delivered at Hanoi. In April 1956, the 530 mile civil air route connecting
Hanoi with Xining and Canton was inaugurated.

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